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SUBJECT: MEXICO BUSINESS SUMMIT FOCUSES ON THE FUTURE

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#### Summary

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¶1. (U) The 2009 Mexico Business Summit, "Beyond the Crisis, Creating a Vision for a New Era," held in Monterrey November 8 - 10, brought together prominent leaders from business, government and academia. Major topics at this year's Summit included North American economic development (particularly in the health care and alternative energy sectors), the importance of infrastructure improvements for Mexico's economy, reform of NAFTA, and the effects of the security situation on U.S. - Mexico trade. Ambassador delivered the keynote address at the closing plenary session of this annual event, which is modeled on the World Economic Forum. Other participants included billionaire businessman Carlos Slim, President Felipe Calderon, Colombian President Alvaro Uribe (via a prerecorded speech), and former Costa Rican President Oscar Arias.

#### Joint Economic Competitiveness, Trade Development

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¶2. (U) Ambassador and Consul General attended Monterrey's 2009 Mexico Business Summit, held November 8 - 10, which focused on creating an economic vision for Mexico's future. The more than 20 panel discussions, debates, and speeches that occurred during the three-day event emphasized U.S. - Mexico economic issues. Numerous participants in the conference, including Carlos Slim, former U.S. Secretary of Commerce Carlos Gutierrez, and Carlos Guzman, President and CEO of Hewlett-Packard, Mexico, highlighted the impact of Chinese economic pressure on both economies. Summit participants identified the outbreak of the H1N1 virus, the worst drought in 60 years, the ongoing recession and its corresponding reduction in remittances from the United States, border security and violence, and the decline in oil prices as the biggest short-term obstacles facing the Mexican economy.

¶3. (U) Ambassador stressed that NAFTA has led to an unprecedented integration of the North American economy and that, since its implementation, the U.S. and Mexican economies have become increasingly interconnected. He noted that neither the U.S. nor Mexico can afford to stop the integration process and that deeper economic cooperation and increased cross border

trade will be essential to maintain competitiveness in the global economy.

## The Healthcare Sector

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¶4. (U) Billionaire Carlos Slim, whose holdings include TelMex and Saks Fifth Avenue, called the U.S. health care system "broken" and, in remarks echoed by other speakers, hoped that healthcare reform in the U.S. would create economic growth opportunities for Mexico. Summit participants identified several healthcare sector opportunities for Mexico in the bilateral relationship with the U.S., including: 1) the chance to be the prime destination for the storage and maintenance of U.S. electronic medical records; 2) medical tourism and potential changes in U.S. law to allow Medicare reimbursement for services provided in Mexico; 3) the migration of Mexican nurses to the U.S. to alleviate the nursing shortfall there; and 4) developing Mexico as a research and development site for the pharmaceutical industry, especially for clinical trials.

## Climate Change and Opportunities in the Alternative Energy Sector

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¶5. (U) Juan Carlos Marroquin, the President of Nestle in Mexico, and Daniel Servitje Montull, the CEO of Grupo Bimbo (a

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Mexican food conglomerate and one of the biggest baked goods companies in the U.S.) urged Summit participants to view global climate change as an economic opportunity for Mexico's renewable energy sector. Ambassador emphasized the economic opportunities that could be created through increased bilateral cooperation on climate change and alternative and renewable energy development projects, especially if the U.S. adopts a cap and trade system in which energy from Mexican alternative energy sources could provide offsets in the U.S. He added that the U.S. currently generates about 10 percent of its energy with renewable sources, while in Mexico the number is still below 4 percent.

NAFTA 2.0?

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¶6. (U) Many Summit participants discussed the need for reforming NAFTA and called for a "NAFTA 2.0," but there was no consensus on what a new trade agreement would actually look like. Rather, participants seemed to be using the phrase NAFTA 2.0 as a platform for introducing the changes they thought were necessary to fully realize the benefits of the original agreement. Rafael Fernandez de Castro, Foreign Policy Advisor to President Calderon, agreed with the need to "modify NAFTA." He said the most pressing concern is the resolution of the cross-border trucking issue, which stifles opportunities for Mexican exports. Alan Stoga, President of Zemi Communications, a New York public relations firm, agreed, calling the failure to resolve the trucking issue "obscene." In a similar vein, Jaime Serra Puche, an architect of NAFTA and an advocate for increased economic integration, said that the USG's Buy America program violates NAFTA and is a hindrance to true free trade.

¶7. (U) Along with those concerns about specific NAFTA provisions and calls for changes in trade policy, Professor Robert Pastor, Co-Director of the Center for North American Studies at American University argued that difficulties at the border are an obstacle to increased North American trade and hinder a full realization of NAFTA's benefits. Pastor estimated that, despite the implementation of NAFTA, bureaucratic inefficiencies, customs procedures, and security requirements add between 10 and 12 percent to the cost of cross-border transactions. During his closing remarks, Ambassador urged the audience not to see the border as only a security issue, but as a "multidimensional phenomenon" that involves infrastructure, technology, and economic opportunity as well. For example, he noted that streamlined customs procedures would not only expedite trade in goods and reduce transaction costs, but would also improve security.

#### The Need for a "Mexican Brand"

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¶8. (U) Panelists in various sessions agreed that, whatever obstacles exist for Mexico in the U.S. market (such as Buy America or the unresolved trucking dispute), Mexico should better position itself to attract foreign direct investment and increase its exports. While discussing economic development and ways to attract foreign direct investment, President Calderon told the audience that Mexico must develop a clearer vision about its economic future.

¶9. (U) David Clifton, General Director of Interbrand Mexico and Luis Ferezin, General Director of Accenture in Mexico, used the President's statement as a springboard for their presentation on the need to develop a "Mexican Brand." They argued that the most important attributes to attract foreign investment are good infrastructure, highly developed educational systems, access to global markets, capacity for research and innovation, and technological preparation. Mexico does not have a world class brand in those areas. To emphasize their point, they compared Mexico to Brazil. While Brazil is often cited as an example of successful development, they said Mexico is a more successful country in terms of exports, GDP and, literacy rates. In order to take advantage of the foreign direct investment that could come from a more recognizable "Mexican Brand," as Brazil has

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done, Ambassador Pascual called on Mexican businesses to better coordinate their networking and communications strategy.

#### Security Remains a Top Concern

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¶10. (U) Although the security situation was not a topic of any particular Summit session, underlying all of the conference discussions about economic development and investment opportunities was the continued violence tied to the drug trade and its impact on the business climate. Ambassador pointed out in his closing remarks that narco-violence is not a national or bilateral problem, but part of a "hemispheric scourge." He said that community organizations and community police work are key to improving the situation in Mexico and are Merida Initiative hallmarks. He described how initial Merida Initiative successes, such as the recent downturn in violence in Tijuana, demonstrated that an active community working with local police

and law enforcement can be an effective tool in reducing narco-violence.

11. (U) This cable was cleared by the Ambassador.  
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